

## **Canada Co-Working Office Spaces Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)**

Market Report | 2023-01-23 | 120 pages | Mordor Intelligence

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### **Report description:**

The Canadian co-working office spaces market is expected to record a CAGR of more than 5.5% during the forecast period (2022-2027). In Canada, the COVID-19 pandemic impacted the co-working office space market. Due to the lockdown restrictions, the companies lost 75% of their customers. People are returning to co-working spaces more than a year and a half later. These changes are proving to be beneficial to co-working spaces, which were growing increasingly popular before the outbreak impacted their economic models. As COVID-19 cases decrease, people seek new ways to work, socialize, and get out after more than a year at home.

The co-working trend has evolved into a transformative force in the Canadian corporate scene. New work patterns are in demand, and many flexible office operators are gaining a foothold in the lease market. Co-working real estate alternatives are reshaping other key markets in Canada. Since 2017, the flexible footprints of Calgary, Ottawa, and Vancouver have grown by more than 80%. The Waterloo region competed with Toronto (1.8%) in terms of market penetration of co-working space operations (with co-working accounting for 1.4% of total office supply). Suburban growth has outperformed downtown growth in Edmonton and Waterloo region. The suburban co-working space market in Vancouver grew by 83%.

There are currently 617 co-working spaces in Canada, including locations run by major corporations such as Staples. Several large corporations have already stated their intentions, setting the tone for the discourse in North America. JPMorgan Chase asked all of its workers to return to work. In the meantime, Ottawa-based e-commerce company Shopify abandoned its headquarters in favor of a remote-only workforce. However, as vaccine protection improves and the debate over the future of work heats up, some businesses see an opportunity to strike a middle ground by adopting a more "flexible" approach to the workplace through co-working.

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## Canada Co-working Office Spaces Market Trends

### Toronto Driving the Market

According to an industry report, the IT business was responsible for a substantial portion of office leasing during the pandemic. Toronto leads the way in North America for tech job development. According to the survey, which assesses the influence of the IT industry on office demand and rents in Canada's 30 largest tech regions, Toronto saw a 26% increase in job growth from 2019 to 2020. Over the previous five years, high-tech companies have dominated the rental of office space.

Co-working office spaces real estate operators occupy 3.1 million sq. ft. of office space, or 1.8% of the region's total office stock. The bulk of the space, 2.3 million sq. ft., is downtown, 147 locations out of a total of 216 flexible workspaces across the GTA. Regus/Spaces is Toronto's largest flexible operator, with a 1.3 million sq. ft. footprint across 56 locations, or 42% of the market by square footage. It plans to add 347,000 sq. ft. over the next two years.

With a vacancy rate of 8%, Toronto has the highest downtown Class A rates, at CAD 34.18 per sq. ft. More than 7.5 million sq. ft. of new supply are still under development in the city, with about 600,000 sq. ft. under construction in the suburbs. However, during Q4 2021, more than 1.3 million sq. ft. of downtown office space were absorbed, slightly exceeding by roughly 40,500 sq. ft. the amount of newly completed supply added to the market over the same period.

### Increase in Supply of Office Space

Five new spaces sites, totaling 173,500 sq. ft. will launch throughout Canada soon, as demand for co-working spaces grows due to improved labor flexibility. About 83% of businesses are implementing a flexible or hybrid working strategy for their employees, allowing people to work differently than they did before the pandemic. Spaces recently opened a 26,000-sq.ft Zibi Ottawa cross-provincial facility. It is part of the 34-acre Zibi mixed-use complex on Chaudiere Island, which connects Ottawa and Gatineau, and is housed in a refurbished four-story former paper mill building at 4 Booth St. It will be joined by the 29,000-sq.ft Spaces Zibi Gatineau is set to open in the spring of 2021. The 42,000-sq.ft Spaces the Permanent, opened in February 2022, occupied five floors at 320 Bay St. in Toronto's financial district.

On the first and second floors of a newly built facility at 2 Ralston Ave., in the Burnside Business Park in Dartmouth, NS, Spaces Burnside will offer 60 large and small private offices and fully equipped meeting rooms, dedicated desks, and a collaborative co-working space. It is set to open in May 2022. The 51,500-sq.ft Spaces King George Hub will be the anchor tenant of King George Hub, a mixed-use development at 9850 King George Blvd. in Surrey, B.C. Later in 2022, IWG will unveil Spaces The Shift in Toronto's downtown east and Spaces The Well in The Well mixed-use development.

### Canada Co-working Office Spaces Market Competitor Analysis

The Canadian co-working office spaces market is fragmented with the presence of several privately owned co-working spaces. The market is expected to grow during the forecast period due to huge investments and funding received by companies in the industry. Some of the key players in the market include Lab T.O., District 28, La Halte 24/7, L Atelier Vancouver, BNKR, WeWork, and Regus.

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